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LETTER DATED 4 JANUARY 1999 FROM THE PERMANENT REPRESENTATIVE OF IRAQ TO THE UNITED NATIONS ADDRESSED TO THE SECRETARY-GENERAL

On instructions from my Government, I have the honour to recall that in paragraph 8 (g) of its resolution 986 (1995), the Security Council requested the Secretary-General to "make available up to 10 million United States dollars every ninety days from the funds deposited in the escrow account", and this was confirmed by the Secretary-General in subparagraph (f), section VI, of his report dated 25 November 1996 (S/1996/978). Since the opening of the Iraq Account in December 1996, in conformity with the above-mentioned resolution, the specialized services of the United Nations have not provided Iraq with financial statements relating to the escrow account, in flagrant contravention of the provisions of paragraph 7 of the same resolution, which "Requests the Secretary-General to establish an escrow account for the purposes of the present resolution, to appoint independent and certified public accountants to audit it and to keep the Government of Iraq fully informed".

During the four phases provided for by the Memorandum of Understanding, an amount of 1 per cent was withheld from the return on the sale of Iraqi oil pursuant to resolution 986 (1995). This amount has reached the sum of $88,760,011, apportioned as follows:

$20,118,475 on 20 May 1997 (first phase)

$19,866,109 on 20 November 1997 (second phase)

$19,634,719 on 20 May 1998 (third phase)

$29,140,708 (fourth phase).

Careful examination of the amount of $29,140,708 for the fourth phase, covering a period of 180 days, shows that it is not consistent with the provisions of paragraph 8 (g) of resolution 986 (1995), which specifies the maximum amount of the deductions as $10 million every 90 days.

In conformity with the provisions of resolution 986 (1995) quoted above, and with the provisions of paragraph 12 of the Memorandum of Understanding concluded between the Iraqi Government and the Secretariat of the United Nations on 20 May 1996, which provides that "The Secretary-General, after consultations

with the Government of Iraq, will select a major international bank and establish there the escrow account described in paragraph 7 of the Resolution, to be known as 'the United Nations Iraq Account' (hereinafter the 'Iraq Account'). The Secretary-General will negotiate the terms of this account with the bank and will keep the Government of Iraq fully informed of his actions in choosing the bank and opening the account. All transactions and deductions mandated by the Security Council under paragraph 8 of the Resolution shall be made from the 'Iraq Account', which will be administered in accordance with the relevant Financial Regulations and Rules of the United Nations", Iraq is entitled to verify all the operations associated with the account as well as the amount of the balance, the investment operations, the accumulated interest, the names of the countries to which transfers were made and the terms on which they were effected, all the more so in that the account is fed by Iraqi assets and is managed by the Secretary-General of the United Nations pursuant to Security Council resolution 986 (1995).

The competent services of the United Nations should have transferred the amounts withheld from sale of Iraqi Oil (1 per cent) directly to the escrow account opened with the Federal Reserve Bank, New York, from which $200 million were withdrawn in 1996 to finance the other operations of the United Nations in Iraq.

That being the case, the Government of Iraq requests you to intervene with the relevant services of the United Nations to ensure that they comply with the spirit and the letter of Security Council resolution 986 (1995) and the provisions of the Memorandum of Understanding, proceed without delay to transfer the amounts withheld from the return on the sale of Iraqi oil (1 per cent) to the escrow account opened with the above-mentioned United States bank, and provide the Iraqi Central Bank with the financial statements relating to the operations of that account.

I should be grateful if you would have the text of this letter circulated as a document of the Security Council.

(Signed) Nizar HAMDOON
Ambassador
Permanent Representative